

MINUTES OF SPECIAL MEETING
ILLINOIS GAMING BOARD
APRIL 14, 1993
CHICAGO, ILLINOIS

A Special Meeting of the Illinois Gaming Board was held on April 14, 1993 in auditorium C-500 of the State of Illinois Building, 160 North LaSalle Street, Chicago, Illinois. The meeting was called by Chairman William J. Kunkle, Jr. at the request of staff, and notice was timely given to each Board Member and to the general public in conformity with Section 42.02 of the Illinois Open Meetings Act.

The following Board Members were present: William J. Chamblin, J. Thomas Johnson, Gayl S. Pyatt and Robert F. Vickrey. Chairman William J. Kunkle, Jr. was recuperating from surgery and was unable to attend.

Also in attendance were Administrator Morton E. Friedman; Deputy Administrators J. Thomas Hutchison, Joseph McQuaid and Marcy L. Wolf; Chief Legal Counsel Donna B. More; Deputy State Treasurer Forest Claypool; and, members of the media and the general public.

In absence of the Chairman, Mr. Chamblin moved that Member J. Thomas Johnson be named Chairman Pro-tempore for the purpose of conducting the meeting. Ms. Pyatt seconded the motion.

Without objection the motion was adopted.

Chairman Johnson called the meeting to order at 10:40 A.M. He stated that the purpose of the meeting was to review the request received on March 24, 1993 from Hollywood Casino - Aurora, Inc. (HCA) to proceed with an Initial Public Offering of Hollywood Casino Corporation (HCC). The Administrator noted that the request required Board action under Rule 3000.235.

The Chairman recognized counsel for the applicant, Tyrone Fahner.

Mr. Fahner made general comments concerning the request of the applicant and introduced Mr. William Weidner, President of Hollywood Casino - Aurora, Inc.

Mr. Weidner provided an update on the progress of the enterprise's Aurora project noting a mid-June commencement of operations. He noted that the project was stimulating some \$70 million in economic activity in Aurora. He noted that HCC held \$280 million in assets was the 100% owner of HCA, the entity found suitable for licensing by the Board in July of 1991. He stated that majority control of ownership after the offering would remain with Pratt Hotel Corporation (PHC) who additionally maintained significant assets.

Next, Mr. Roberto Rivera-Soto, Secretary and General Counsel for HCA, presented the plan to offer Series A common stock in HCC consistent with limitations imposed by the Securities and Exchange Commission rules. He stated that included in the request were corporate changes. He noted that the New Jersey Casino Control Commission had approved HCC's request reserving review of financial transactions between HCA and the Sands Hotel and Casino in New Jersey during the week of April 7, 1993. Mr. Rivera-Soto stated that although HCA was not the holder of an Owner's License, that the "market makers" required Board approval so that investors would be unencumbered in the transfer of stock on the market.

Ms. Pyatt asked questions concerning the statutory and regulatory authority under which the request was being made. She said she was uncertain that the Board had the authority to grant the request of HCA. Mr. Rivera-Soto responded that the Board held plenary powers by statute over all applicants. In response to a question from Mr. Chamblin, Mr. Rivera-Soto stated that the request of HCA was limited to Board approval of the offering only and he noted further that the Securities and Exchange Commission had reviewed the detail elements of the submitted S-1 and that HCA had responded to comments of the SEC through submission of an amended S-1 which had also been submitted to staff.

Mr. Weidner appeared again to offer additional information. He stated that proceeds of the offering would fund \$8 million directly to HCA replacing an outstanding \$7 million loan; \$15 million would be transferred to the Sands Hotel and Casino for expansion of the casino; and, \$1.7 million would redeem current Class "A" common stock.

Mr. Rivera-Soto reviewed the proposal in making the following points:

1. 5.28 million shares of Class "A" Common Stock were to be offered. 18.1 million shares remain outstanding.
2. An additional 782 thousand shares were reserved as an over-allotment.
3. The proposal included extensive anti-take over provisions.
4. Provided for changes in the corporate structure of HCC.
5. Provided certain employees of HCC with an incentive stock option plan. (Mr. Jack Pratt appeared in response to a question concerning the complete disclosure of persons who would be eligible for the incentive. He told the Board that the proposal did not identify all individuals because the parent company had not made final decisions on who those individuals would be.)
6. Converted existing warrants of Class "B" common stock.
7. Permitted HCC to explore gaming enterprises in other venues.
8. Consolidated tax reporting of HCA, HCC and PHC.

Member Vickrey asked questions concerning disbursement of the proceeds resulting from the public offering. Additionally, he asked questions regarding the restructuring of the first mortgage of Greate Bay Casino Corporation. The total amount of proceeds totaled \$24.7 million. It was reported that Greate Bay Casino Corporation would receive a pre-payment of its management fees. It was also reported that \$8 million would be used as a cash infusion to HCA, \$7 million of which was to be used for the management fee pre-payment.

Member Pyatt asked whether that \$8 million amount was a guarantee. Mr. Rivera-Soto replied it was not, but that Mr. Pratt was stating that \$8 million would be applied to HCA. She also asked staff for the statutory citation that authorized the Board to take action to approve the request of the applicant. Chief Counsel More responded that the Board possessed authority under of Section 5 (c) (2) and (21) of the Riverboat Gambling Act as well as Rule 3000.230 (d). Mr. Friedman stated further that the limitations imposed by the Act and Board rules were placed upon applicants and owners, not upon the ability of the Board to take an action.

Mr. Johnson asked questions concerning the financial structure of Pratt Hotel Corporation and its subsidiaries and the effect of the intended offering on the financial health of the parent corporation.

Mr. Vickrey asked questions concerning the apparent expedited approval requested by the applicant. Mr. Fahner reviewed the history of the request noting that the applicant had submitted the request on February 26, 1993 and had been responding to staff inquiries since that time. He stated that the rules of the Security and Exchange Commission prohibited disclosure to the Board of the intentions of the applicant until February 26, 1993. Mr. Vickrey requested that staff research and suggest a procedure for the Board to be given ample notice of such requests in the future.

The Chairman next recognized Mr. Forest Claypool, Deputy Treasurer of the State of Illinois. Mr. Claypool told the Board that he was appearing and speaking for State Treasurer, Patrick Quinn. Mr. Claypool stated that Treasurer Quinn opposed the request of the applicant and suggested that the Board impose a moratorium on approving such requests. He stated that such requests and approvals call into question the integrity of the Illinois Gaming Board. Mr. Claypool urged the Board to delay further consideration of initial public offerings until the General Assembly enacted the Treasurer's ethics legislation. Noting that former Board Member Michael Zaransky had plead guilty to bribing a public official, Mr. Claypool stated that the Board should delay approval of the applicant's request until the Board investigated what, if any, relationship existed between the applicant and Mr. Zaransky.

Mr. Fahner made a closing statement urging approval of the request.

Mr. Vickrey moved that pursuant to Chapter 102, Paragraph 42 (g), (h) and (k), that the Board retire to Closed Session. Ms. Pyatt seconded the motion. The Chairman called for the yeas and nays.

The motion was approved unanimously by voice vote and the Board retired to Closed Session at 1:24 P.M. to discuss confidential and proprietary financial information.

The Illinois Gaming Board resumed its Open Session at 2:49 P.M. with Members Chamblin, Pyatt, Vickrey and Chairman Pro tempore Johnson present.

Mr. Johnson asked clarifying questions regarding the stock option plan and the provisions concerning intra-company loans. Mr. Rivera-Soto responded that the applicant would consider deferring outstanding issues to the next meeting of the Board and offered to submit additional information.

Mr. Chamblin moved that the request of Hollywood Casino Aurora to proceed with an Initial Public Offering be approved with the following exceptions:

1. That approval of Section 6, which calls for the issuance of stock under the employee stock option plan, be submitted in detail to the Board for separate approval, and

2. Hollywood Casino Aurora, Incorporated must receive Board approval prior to entering into any inter-company debt transactions other than for the advance payment of management fees under the existing contract with Greate Bay Casino Corporation.

Mr. Vickrey seconded the motion. The Chairman called for the yeas and nays by oral roll call. The Members responded to wit:

Mr. Chamblin: Aye
Ms. Pyatt: No
Mr. Vickrey: No
Chairman Johnson: Aye

The motion failed.

There being no further business, Ms. Pyatt moved the Board stand adjourned. Mr. Vickrey seconded the motion.

Without objection, the Illinois Gaming Board adjourned at 3:02 P.M.

Respectfully submitted,

James A. Nelson
Secretary of the Board

